

# **EXHIBIT C-3**

**(Exhibit A to State Court Complaint)**



# Exhibit A

# Physiotherapy Associates

112030

Phone: 610-644-7824 Fax: 267-321-2076

Whiteland Business Center • 855 Springdale Drive, Suite 200 • Exton, PA 19341

January 14, 2013

**PERSONAL AND CONFIDENTIAL**

James DeLoach  
1668 Kahatchee Loop  
Childersburg, AL 35044

Dear James,

On behalf of Physiotherapy Associates (the Company) I am pleased to offer you a full time position as an **Area Vice President** in our Alabama Region location. James, we are very excited you are joining our team!

**Welcome to Physiotherapy Associates**

This offer letter confirms the terms of your employment in which you will be an employee at will effective **Monday, February 18, 2013** and is contingent upon the successful completion of a reference check and background investigation. It is not intended to create an employment contract and the terms/conditions of your employment may be changed at the Company's discretion. Employment with the Company is on an at will basis. This means that you are not employed for a set period of time, and you or the Company may terminate your employment at any time and for any reason.

**About Your Position**

As an Area Vice President you report directly to William Hall, Regional Vice President (your Manager). You are scheduled to work 40 hours per week, or as needed by your Manager. As an exempt Associate you are ineligible for overtime pay in excess of forty (40) hours actively worked each week and in accordance with local and state law.

**Compensation**

Your starting rate of pay for this position is a base annual salary of **\$160,000.00** which is paid to you bi-weekly at a rate of **\$6,153.85** as long as you maintain an active work status. Associates are currently paid one week in arrears on a bi-weekly basis, every other Friday. Applicable payroll deductions as required by state and federal law will be withheld from your paycheck, along with any voluntary deductions you authorize. By signing this offer letter, you authorize the Company, to the extent permitted by law, to deduct from your wages or other payments otherwise due you, the deductions associated with any voluntary participation by you in the Company sponsored benefit programs requiring such deductions.

As an Area Vice President, you are eligible to participate in the Company's **industry-leading Field Operations Incentive Plan** (the Plan) and may earn additional compensation. The Profit Sharing amount is determined by position and is detailed in the attached Plan document. As noted in the Plan document, the payout is based on the performance of your assigned group or clinic(s). Your eligibility to participate in the Plan begins upon your date of hire but your payment will be prorated to reflect the portion of the measurement period you actually worked. Changes to your work status or position may change or eliminate your eligibility to continue participation in the Plan. When Profit Sharing payouts are distributed, you must be actively working and employed with the Company on the payment date to receive a payment unless otherwise noted in the Plan.

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**Benefits**

As an Area Vice President, you are eligible to participate in all benefit programs the Company offers its similarly situated Associates. You are eligible to participate on the first of the month following thirty (30) days of active employment. **It is critical for you to select your benefits within your first thirty (30) days of employment.** If you fail to complete the election process on or before thirty (30) days of employment, you are unable to participate in the benefit plans until the next annual open enrollment/election period. Information regarding the Company's current benefit programs is included in the "New Hire" packet provided to you with this offer letter. The terms and conditions of benefit programs applicable to you are reviewed regularly by the Company and are subject to change.

In order to assist Associates to save for their retirement years, the Company offers a 401(k) Plan which includes an "automatic enrollment" feature. If you do not make enrollment choices regarding the 401(k) Plan within your first thirty (30) days of employment, you will be **automatically enrolled with a 3% deduction rate** from each pay and your contributions will be invested in a company designated mutual fund.

**First Day of Employment and New Hire Paperwork**

Important new hire paperwork is included in a "New Hire" kit provided to you with this offer letter. **Please review this information carefully, complete the necessary paperwork and bring it with you on your first day of employment.** Please note, as a condition of your employment and in compliance with the Immigration Reform and Control Act (IRCA) of 1986, **we must verify your eligibility for employment in the United States within three (3) days after your employment commences or we cannot continue your employment.** A list of acceptable documents which provide proof of your identity and eligibility to work in the United States can be found on the back of the Form I-9 included in the "New Hire" packet. These documents along with the completed form should be brought with you when your "New Hire" paperwork is submitted.

**Orientation**

**All new Associates are required to attend New Associate Orientation within thirty (30) days of hire.** New Associate Orientation will provide an overview of the company structure, company history and benefits and is critical to your success as an Associate of the Company. New Associate Orientation webinar information is included in your new hire packet.

**Compliance Training**

The Company is committed to conducting business in compliance with all applicable laws and regulations and in accordance with the highest ethical standards. All Associates and officers of the Company are responsible for complying with the Company's Corporate Integrity Agreement, applicable laws, policies, procedures and all compliance programs. **All Associates and officers of the Company are required to complete the Compliance Program Training within thirty (30) days of hire.**

Additionally, all Associates must confirm, on an annual basis, they understand and are complying with federal, state and local laws and Company policies and procedures. The Compliance Training Program can be found by clicking the "Gen 21 Training" link on the home page of iZone, the Company's intranet site.

**Health Insurance Portability and Accountability Act (HIPAA)**

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) establishes rights and protections for health care consumers and creates responsibilities for health plan sponsors. The HIPAA Privacy Rule governs the use and disclosure of Protected Health Information (PHI), which is individually identifiable health information. Included in your "New Hire" kit will be various documents related to HIPAA. Please review these documents since they pertain to the privacy of your healthcare information and relevant privacy practices. If you have any questions regarding HIPAA, do not hesitate to contact your Human Resources Representative.

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**Non-Compete and non-solicitation**

As a condition of your employment and other good and valuable consideration, the receipt of which is understood and acknowledged by signing this offer letter, the Company desires to receive from you the following covenants and by signing this offer letter you grant the following covenants during your employment and for a period of twelve (12) months following termination for any reason whatsoever:

- (a) not to engage, directly or indirectly, in competition with the Company;
- (b) not to solicit any Associate of the Company to terminate his or her employment with the Company; and
- (c) not to solicit any vendor or customer of the Company to terminate his or her relationship with the Company.

The above referenced covenants are more fully set forth below. By signing this offer letter and accepting employment with the company you are agreeing to be legally bound and obligated to comply with the following covenants:

1. **Covenant Against Competition** - During the term of your employment with the Company and for a period of twelve (12) months from either your voluntary termination or involuntary termination of Associate's employment by the Company for Due Cause (as defined on below), you will not, directly or indirectly, own, manage, operate, control, be employed by, perform services for, consult with, solicit business for, participate in, or be connected with the ownership, management, operation, or control of, any business which performs outpatient rehabilitation or orthotics or prosthetic services in the Market Area (as defined below); provided, however, you may own up to one percent (1%) of any publicly held company; and provided, further that the foregoing exception to prohibited activities is not excepted from, and remains subject to, the terms and restrictions in Sections 2 and 3 hereof.

The term "Market Area" means the area that is within a ten (10) mile radius of any of the Company's facilities (or any Company affiliate's facilities) at which you provided services during your employment with the Company or for which you had, during any portion of the term of your employment, management or supervisory responsibility. A "Company affiliate" refers to any entity that is controlled by or under common control with the Company.

For purposes of this covenant, "Due Cause" means (a) your failure or refusal to perform specific job duties reasonably required in connection with your position, provided that such failure or refusal continues or reoccurs after the Company notifies you in writing of such failure or refusal; (b) your engagement in fraud, sexual harassment, substance abuse or any other violation of the Company's Code of Conduct or other written policy of the Company; (c) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (d) the misappropriation (or attempted misappropriation) of any of the Company's funds or property; (e) dishonesty, willful misconduct, material neglect of the Company's business after written notice from the Company and a reasonable opportunity to cure, conviction of a felony or other crime involving moral turpitude, misappropriation of funds or habitual insobriety; or (f) revocation, suspension or other loss of your license to provide rehabilitation services in the state in which you provide such services.

2. **Non-solicitation of Customers and Vendors** - During the term of your employment with the Company and for a period of twelve (12) months from the termination of your employment with the Company for any reason whatsoever, you shall not solicit, induce, or attempt to induce any past or current Customer or vendor of the Company to (a) cease doing business in whole or in part with or through the Company, or (b) do business with any other person, firm, partnership, corporation, or other entity which performs services materially similar to or competitive with those provided by the Company. For purposes of this covenant the term "Customer" means any person, division or unit of a business

DD Initials

enterprise with whom within a two (2) year period preceding the date of termination of your employment with the Company, the Company had received services from Company or held a business or contractual arrangement to perform services for Company.

3. **Non-solicitation/No-Hire of Associates** - During the term of your employment with the Company and for a period of twelve (12) months from the termination of your employment with the Company for any reason whatsoever, you will not, either on your own account or for any person, firm, partnership, corporation, or other entity (a) solicit, interfere with, or endeavor to cause any Associate of the Company to leave his or her employment, (b) induce or attempt to induce any Associate of the company to breach his or her covenant or agreement with the Company, or (c) employ any person who was a director, officer or Associate of the Company or any of its subsidiaries on the date of your termination or at any time during the six (6) month period immediately prior to such termination.

4. **Governing Law** - It is understood and agreed that the construction and interpretation of this Agreement shall, at all times and in all respects, be governed by the internal laws of the Commonwealth of Pennsylvania, without giving effect to the conflict of laws provisions thereof.

By signing this offer letter and accepting the offer of employment, you are acknowledging and agreeing that the restrictions related to non-competition, non-solicitation and no-hire are necessary to protect the legitimate business interests of the Company. You are further acknowledging, a) that all of the restrictions related to non-competition, non-solicitation and non-hire are reasonable in all respects, including duration, territory and scope of activity and b) that the injury the Company will suffer in the event of the breach or threatened breach by you, will cause the Company irreparable injury that cannot be adequately compensated by monetary damages alone. Therefore, you agree that the Company, without limiting any other legal or equitable remedies available to it, would be entitled to obtain equitable relief by injunction or otherwise, without the posting of any bond, from any court of competent jurisdiction, including, without limitation, injunctive relief to prevent your failure to comply with the terms and conditions of the non-competition, non-solicitation and non-hire covenants. By signing this offer letter you agree the restriction periods referenced in the covenants above will be tolled on a day-for-day basis for each day during which the provisions are violated in any respect, so that you are restricted from engaging in the activities prohibited by the covenants for the full stated periods. By signing this offer letter you further agree that (a) the covenants contained above are necessary for the protection of Company's business goodwill, confidential and proprietary information and trade secrets, and (b) a portion of the compensation paid to you is paid in consideration of the covenants herein contained, the sufficiency of which consideration is hereby acknowledged.

#### **Associate Handbook**

The Company provides an Associate Handbook (the Handbook) on the Company's Intranet known as iZone. If you have any problems accessing the on-line Handbook, contact Human Resources for assistance. Once you begin employment, you are required to familiarize yourself with the Handbook and comply with all of the policies contained therein. The Handbook contains general guidelines governing employment with the Company and does not create a contract of any sort. Because the Handbook contains general guidelines, in appropriate circumstances, the Company may choose to vary from any policy stated in the Handbook, based on the particular facts and circumstances of the situation and the Company may change any of the policies in the Handbook at any time. If you have any questions about the Handbook, you should direct them to your Manager or Human Resources. Please note, the Handbook is revised and updated periodically. Therefore, you should review the Handbook regularly in order to be aware of all revisions and updates. In addition, all Associates are required to review the Handbook, at minimum, annually.

**If the terms of this offer letter are acceptable to you, please indicate your acceptance of this offer, by initialing each page of the offer letter and signing in the space provided on the signature page attached. Please return the original signed offer letter to the Human Resources Department at the following fax number prior to your start date:**

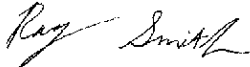
DD Initials

**267-321-2054**

The signed offer letter must be received by the Human Resources Department in order for you to initiate employment.

James, welcome to Physiotherapy Associates! We look forward to many years of collaboration with you as the Company continues to grow. If you have any questions about the Company, the position or this offer letter, please contact me at (678) 475-5411.

Sincerely,

A handwritten signature in cursive script that reads "Ray Smith".

Ray Smith  
Regional Recruiter

MS Initials

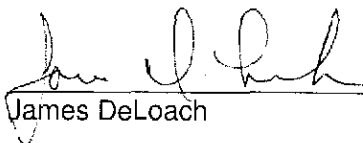
**OFFER LETTER  
SIGNATURE PAGE**

**Associate Name: James DeLoach  
Associate Title: Area Vice President  
Date of Hire: 2/18/2013  
Work Location: Alabama Region  
Manager: William Hall**

**I ACCEPT THE TERMS OF EMPLOYMENT AS DESCRIBED IN THIS LETTER.**

**I UNDERSTAND THAT NONE OF THE POLICIES OR STATEMENTS CONTAINED WITHIN THE ASSOCIATE HANDBOOK AS WELL AS ALL COMPANY AND DEPARTMENTAL GUIDELINES AND/OR POLICIES SHALL BE CONSTRUED TO CREATE A CONTRACT OF EMPLOYMENT, EITHER EXPRESS OR IMPLIED. THERE IS NO IMPLIED PROMISE OR COMMITMENT BY THE COMPANY TO CONTINUE EMPLOYMENT FOR ANY LENGTH OF TIME OR TO ALTER THE AT-WILL EMPLOYMENT RELATIONSHIP.**

**AGREED TO AND ACCEPTED BY:**

  
James DeLoach

3-4-13  
Date

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